

INNOVATIVE FINANCIAL MANAGEMENT STRATEGY IN THE CONTEXT OF AMALGAMATION OF TERRITORIAL COMMUNITIES OF UKRAINE

Alla Chornovol

Chernivtsi Institute Trade and Economics of Kyiv National University Trade and Economics,
Chernivtsi, Ukraine

Yuliya Voytsekhovska

Lviv Polytechnic National University, Lviv, Ukraine

Volodymyr Sarychev

University of Customs and Finance, Dnipro, Ukraine

Tetiana Chysnevych, Maryna Goncharenko

V. N. Karazin Kharkiv National University, Kharkiv, Ukraine

ABSTRACT

The article aims to propose an effective financial management strategy in the context of amalgamation (combining) territorial communities and to identify possible directions of socio-economic development, threats, and opportunities under the conditions of globalization and instability of external and internal environments. This strategy is a specific action plan for the territorial community in Ukraine on allocating financial resources and indicators that shape it. The following steps were performed: SWOT analysis, an approach based on the reframing theory, and expert evaluations. The study presents a five-year implementation strategy, taking into account the strengths and weaknesses of the selected territorial community, using the reframing theory and performance calculation. It is determined that the factor of potential human assessment is one of the most important in the current environment. The prospects for further research are to analyze the current strategy regarding financial factors appropriate for and inherent in individual amalgamated territorial communities (ATC) and determine the temporal, territorial, and mental aspects.

Keywords: amalgamated territorial communities; decentralization; financial management; globalization, investment

DOI: <http://dx.doi.org/10.15549/jeecar.v9i6.975>

INTRODUCTION

The research is topical as the development of innovation in any organization is associated with

the level of knowledge and skills of staff and the impact of external and internal operating environments. The effective operation of the

organization in today's complex and dynamic world requires an effective financial management strategy. In practice, little attention is paid to the long-term development plans for an individual amalgamated territorial community (ATC), especially concerning the allocation of financial resources. Statistical information on each ATC's revenues and distribution of finances is not public, as decentralization has not yet been fully implemented in Ukraine.

The reframing theory is often used in the management of organizations as a new look at real things. This theory is widely used in psychology because it is based on constructing a frame (framework), which reflects the main aspects of the activity. The ability to see new options and create new opportunities allows for opening alternatives in case of limited choices, finding a way out of existing conditions, and generating new strategies and their successful implementation.

Integration into the world economic space implies reforms in relevant areas, including decentralization reform. The priority areas of the European Union are the use of new financial instruments and methods of cooperation. The fact that Ukraine has joined the projects under the Connecting Europe Facility (CEF) is of particular note.

The first stage of developing an effective, innovative financial management strategy in the context of the amalgamation of territorial communities is the situation with the legislation on decentralization. In Ukraine, the decentralization process began in 2014 with the adoption of the Concept of Local Governance Reform and Territorial Organization of Power (April 1, 2014) (Cabinet of Ministers of Ukraine, 2014), Laws of Ukraine "On Cooperation of Territorial Communities" (June 17, 2014) (Verkhovna Rada of Ukraine, 2014), "On Voluntary Association of Territorial Communities" (February 5, 2015) (Verkhovna Rada of Ukraine, 2015) and amendments to the Budget and Tax Codes regarding financial decentralization.

The ATC's budget consists of a basic subsidy, an educational subvention, a medical subvention, and a 60% personal income tax. ATC budgets will finance expenditures delegated by the state, for

example, expenditures for the maintenance of public sector institutions – education, culture, health care, etc. This method of allocating funds should promote the development of a particular ATC, but in practice, we often encounter uneven distribution of funds. Table 2 provides information on the distribution of budget expenditures of the Lviv City Territorial Community (TC) for 2021.

Analyzing the data of Resolution No. 29, "On the Budget of the Lviv City Territorial Community for 2021," of 29.12.2020 (Lviv City Council, 2020), it is appropriate to emphasize that funding in the field of education remains non-transparent. In general, the Lviv region is the first in the number of facilities financed with a disproportionate distribution of funds. In terms of per capita, the region occupies the lowest position in the country and has only UAH 24 subsidies per capita in the Lviv region as of 2021. There is currently no digital platform available in Ukraine to answer the question: What are the costs per student, considering the state, regional and local budgets? There is also a partial accumulation of educational subvention funds in the regions and at the local self-government level. Accordingly, it is difficult to track how these financial resources reach the final consumers – educational institutions.

Table 1: Distribution of budget expenditures of the Lviv City Territorial Community in the field of education for 2021 (UAH)

No.	Name of the main spending unit of local budget funds/responsible executor, name of the budget program according to the Standard Programme Classification of Expenditures and Crediting of the Local Budget	General fund			Special fund		
		Total	Consumed cost	Development costs	Total	Consumed cost	Development costs
1	Department of Education	3,691,861,600	3,691,861,600	0	84,766,700	62,172,200	0
2	Management in the field of education	13,548,400	13,548,400	0	62,172,200	18,068,100	750,000
3	Preschool education	1,063,537,200	1,063,537,200	0	18,818,100	18,068,100	750,000
4	General secondary education at the expense of the local budget	979,750,900	979,750,900	0	18,818,100	0	0
5	General secondary education provided by general secondary educational institutions	979,750,900	979,750,900	0	0	0	0
6	General secondary education provided by general secondary educational institutions at the expense of the educational subvention	1,415,907,500	1,415,907,500	0	0	3,725,200	50,000
7	General secondary education provided by general secondary educational institutions	1,415,907,500	1,415,907,500	0	3,775,200	62,172,200	0
8	Extracurricular education provided by extracurricular educational institutions, extracurricular activities with children	150,629,300	150,629,300	0	62,172,200	18,068,100	750,000

Source: Lviv City Council (2020)

The financial management of the combined territorial communities and the development of an effective innovation strategy should consider:

- the finances of the amalgamated territorial community cover the territory of several settlements;

- the current problems of financial management of the combined territorial communities, such as rational distribution of funds;
- the legislation stipulates that the quality and availability of public services provided in the combined territorial community may not be lower than before the amalgamation (this provision takes into account the need for the proper provision of public services in the planning and implementation of budget expenditures by the amalgamated territorial community);
- strengths and weaknesses of a particular ATC;
- opportunities and threats to the ATC operation;
- mental peculiarities and readiness for change in the community;
- the existence of knowledge (values) in the community;
- availability of resources;
- the availability of the core value (wisdom);
- infrastructure problems;
- changes in the reform that will contribute to its further promotion and completion (it is expected to amend the Constitution regarding decentralization in 2022).

The research proposes a model of an effective, innovative financial management strategy for amalgamated territorial communities with the following objectives:

1. Analyze the external and internal environment of ATC;
2. Calculate the performance of ATC;
3. Identify the relationship between indicators of the internal and external environment.

LITERATURE REVIEW

The financial aspect of formulating an effective strategy in terms of the amalgamation of territorial communities consists of assessing specific indicators (factors) of the external and internal environment (Berdiev & Saunoris, 2016). In this case, the critical factor is analyzing information on external and internal environments, directing them to strategic thinking, focusing on the development and

growth of ATC welfare, and the availability of open innovation. Open innovations are those that outline the effectiveness of activities while minimizing costs. Innovations result in progress using new and affordable tools (Misztal, 2017).

Innovation is the basis of research and socio-economic development. Since the 2000s, there has been growth to stimulate new opportunities for growth through innovation strategies (Van den Broek, Rutten & Benneworth, 2020). Innovation is not, however, widely used in many regions, but only in terms of entrepreneurial innovation (Grillitsch & Sotarauta, 2018).

Adapting ATC management to environmental conditions requires effective methods and tools of support and protection, as well as the development of an effective model of innovative financial management strategy. Research in this area has almost not been conducted, so we should expect further development of the discussion around the creation of the importance of a particular factor in the internal or external environment (Metz, Boaz & Robert, 2019). Such interaction should be achieved by implementing an innovative financial management strategy in terms of combined territorial communities (ATC), where the community and the state are stakeholders.

Let's note that we are talking about the fact that local self-government bodies independently develop, approve, and implement the relevant local budgets following applicable laws, and interference of public authorities in these processes is not allowed. It is crucial that the state financially supports local self-government, participates in forming local budget revenues, and monitors legal, appropriate, economic, and efficient spending and proper accounting. So, there must be a sufficient revenue base to provide services to minimize social needs (Verkhovna Rada of Ukraine, 1997).

The development of an effective strategy for ATC is to optimize the use of the potential of the region (territory) by applying development policies to individual socio-economic conditions, taking into account indicators of external and internal environments (Miáek, 2013). Implementing the innovation strategy requires consideration of the subsidiarity principle, which is based on the intervention of public authorities within its competencies (Eckardt, Velderman & Benneworth, 2018).

Current economic and business conditions show the need for effective models for developing financial management strategies in the context of territorial community amalgamation, methods, and management tools in response to the global technological revolution and unforeseen situations (COVID-19 pandemic), and risks. The rapid development of the economy is associated with the development of innovation and digitalization of all spheres of socio-economic life (Zygierewicz, 2019). However, implementing effective financial solutions is associated with the diagnosis of related risks, the control and the ability to self-control, the availability of financial resources, and financial stability (Financial Stability Board, 2017). Financial stability is related to a local self-government body's ability to finance its delegated tasks. As for the service – it is a continuous and efficient provision of public services, and the existence of debt means timely repayment of financial obligations (Poniatowicz, 2016). The essence of the concept is that financial stability provides the conditions for socio-economic development.

Under current conditions, financial liquidity, in addition to free innovation, is essential – it is the ability of the entity to pay its short-term liabilities on time. Local self-government bodies should consider the financial analysis of two areas: budget planning and execution. In the case of planning, only a balanced budget is accepted, that is, one in which there is a balance between revenues and expenditures (Mac an Bhaird, Lucey & Sanchez Vidal, 2016).

METHODS AND MATERIALS

To conduct research and implement an effective model of innovative financial management strategy, it is necessary to review the current legislation on the ATC operation to determine its main aspects at the first stage. The second stage is to conduct a SWOT analysis, which is the basis for selecting the appropriate indicators of external and internal environments needed for evaluation. We develop a questionnaire for the survey participant with the help of indicators chosen. Next, we build a frame and evaluate the external and internal environment of ATC operation and the overall

performance indicator based on the questionnaire results.

The study involved the following methods: SWOT analysis, frame construction based on the reframing theory, expert evaluations, and evaluation of the integrated performance indicator of a particular ATC. Implementing the reframing theory, which is the ability to change one's mind, is vital for today's leaders and their companies or organizations. An essential step in implementing an effective strategy is to analyze the strengths and weaknesses, opportunities and threats through expert evaluation. Strengths are positive internal factors that constitute the internal strength of the organization. They can be used for extension activities. Examples of strengths are highly qualified employees, effective management methodologies, and significant financial resources. Weaknesses are negative internal factors. It is important to focus on eliminating them, so they do not weaken the strengths. They limit the efficiency of activities and inhibit development. Some weaknesses include limited production process, which leads to low product quality, outdated logistics, lack of digitalization, and high staff turnover. Opportunities are positive external phenomena and processes that can be used to develop and expand ATC and compensate for weaknesses. An example of an opportunity is to increase the number of city residents. Threats are negative external phenomena and processes that can block the development of ATC. The focus should be on finding countermeasures to eliminate them. For example, threats may include tax increases or other legislative changes.

In this study, we used the assessment of experts – civil servants of the Lviv City Council, managers and heads of Joint-Stock Company “Concern-Electron” and Joint-Stock Company “Ukrposhta” (various spheres of socio-economic life) through a survey, considering the Lviv ATC (Table 2). An example of the questionnaire is attached in Appendix A.

Table 2: Characteristics of Lviv ATC survey experts

	Number, %	Age (average value, years)	Sex,%	Work experience in this field (average value, years)
Civil servants	40	55 p.	men– 30%, women–70%	20
Heads of organizations	25	50 p.	men – 78%, women – 22%	10
Managers	35	38 p.	men – 55%, women –45%	8

Source: Authors

The survey involved 120 experts, who identified the relevant indicators of external (assessment of the economic potential, ATC’s financial resources, environmental component, ATC’s integration into the world economic space) and internal environment (evaluation of the human potential, migration level, innovation, the level of cooperation of local authorities with non-governmental organizations, socio-economic life in view of the decentralization reform) in terms of their importance (Appendix B). The use of SWOT analysis allowed identifying the selected indicators, calculation of the integrated performance indicator of ATC, and building of a frame with the assessment of external and

internal environments on their basis. The final step is to identify a key indicator among those listed, consider future prospects, and consider the risks.

RESULTS

Any economic development requires a certain financial stability with a uniform distribution of funds. Fig. 1 demonstrates the model of an effective, innovative financial management strategy in the context of the amalgamation of territorial communities.

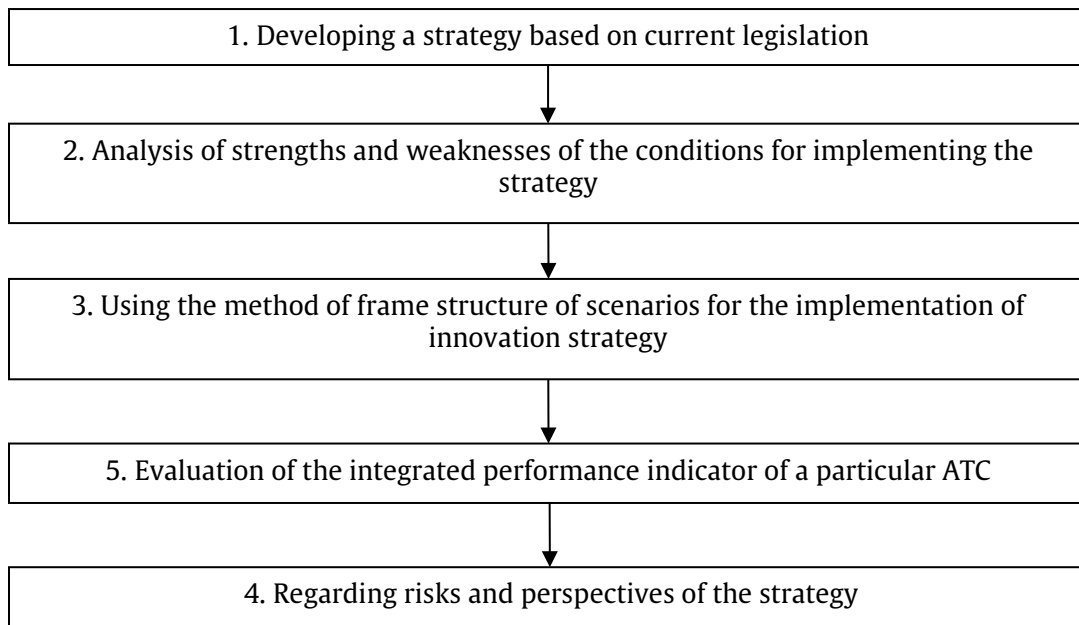


Figure 1: Model of an effective, innovative financial management strategy in the context of amalgamation of territorial communities

Source: Authors' work

So, financial analysis and the development of a model of effective financial management strategy in the context of the amalgamation of territorial communities deal with economic values in monetary terms, including the financial condition of the local government at a given time. The financial analysis identifies the main features, phenomena, and structures in the community, expressed in monetary units. It requires recognizing their internal complexity and external dependencies and determining the mechanisms of their formation.

The third stage of developing an effective strategy is implementing the reframing theory,

which in this case, allows describing and evaluating the results of SWOT analysis for a selected ATC. It should be noted that there is a certain lack of information on the available data related to the formation of ATC's finances. Also, there is no complete data on expenditures per student, considering the state, regional and local budgets and the funds contributed by parents. This contributes to the uneven distribution of financial resources of state and local budgets at the region, city, district, or ATC level, so in this case, we used the assessment of experts in this field (Table 3).

Table 3: SWOT analysis for the Lviv Amalgamated Territorial Community

Opportunities	Threats
<ol style="list-style-type: none"> 1. Development of the economy, in particular the social sphere. 2. Strengthening European integration and implementation of projects of socio-economic significance. 3. Use of transport and logistics potential of ATC, geopolitical situation. 4. Popularization of the city of Lviv as an educational centre. 5. Use of modern information technologies for the development of the region. 6. Opportunity to involve the scientific community, social experts and practitioners. 7. Ability to pay local taxes not at the company's location, but at the place of its registration, including personal income tax. 	<ol style="list-style-type: none"> 1. Imperfect legislation. 2. The failure to consider the individual needs of residents. 3. Non-compliance of educational programs with the labour market requirements. 4. Lack of integrated solutions. 5. Economic instability of the state. 6. Problems of ATC infrastructural significance. 7. The crisis related to the COVID-19 pandemic.
Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Significant potential of cities as centres of human development. 2. Successful cooperation of local authorities with non-governmental organizations. 3. Active residents (local leaders and authorities), representatives of institutions and organizations operating in housing estates. 4. Sufficiently high level of integration of the region into the world economic space. 5. Strengthening cross-border cooperation. 6. High level of development of services and tourism. 7. Improving socio-economic life in connection with decentralization reform. 	<ol style="list-style-type: none"> 1. Lack of open innovation. 2. Tactical mistakes in strategy development. 3. Lack of skilled workers. 4. Remoteness of rural areas. 5. Concentration of companies and organizations mostly in the city centre. 6. High level of depopulation in the rural areas. 7. Migration of labour, in particular, people of working age.

Source: Authors

An example of such an opportunity as the payment of local taxes not at the company's location but at the place of its registration is

OKKO-Retail, which is part of Galnaftogaz Joint-Stock Company, the main taxpayer in Slavske ATC. Slavske ATC includes three village councils:

Nyzhnorozhankivska, Lybohorivska, and Volosyankivska in the Skoliv district, and Slavske Village Council, a total of eight settlements. Due to decentralization, most of the amount of personal income tax remains in the local budget. It is impossible not to notice how the infrastructure of a small town or village is changing. Slavske, a tourist destination, receives a single tax, tourist tax, excise, and other local taxes and fees to the budget.

It should be noted that as of 2021, OKKO Group Holding plans to start construction of a ski resort on the territory of Slavske ATC worth \$ 500 million. Such investment will not only promote community development but also address weaknesses such as labour migration and the need for skilled workers, improving the strengths – the high level of development of services and tourism.

Governance in local self-government bodies is about making effective strategic decisions about development. The decision-maker must have constant access to a complete, fast and reliable source of information. The main areas of decision-making in local governments are investment decisions, operational decisions, and decisions on sources of funding. Governance in local government units cannot be intuitive. It requires accurate information to perform assigned tasks and, most importantly, for proper resource management.

There are many methods of evaluating strategies, but in this case, we will use the reframing theory, assessing the external and internal environment of Lviv ATC based on evaluating a group of experts. Table 4 shows the evaluation results.

The next step is to evaluate the overall external condition of the company:

$$Z_n = \frac{Z_1+Z_2+Z_3+Z_4}{n} = 0.315$$

We further evaluate the internal environment:

$$V_m = \frac{V_1+V_2+V_3+V_4+V_5}{m} = 0.578$$

The next step is to determine the integrated performance indicator of ATC:

$$R = \sqrt[9]{Z_1 + Z_n \dots + V_1 + V_n \dots} = 0.98$$

R shows how effective the development of internal and external ATC environments is. We can note that the result indicates the average performance. The value of such an indicator of more than 1 allows for stating the level of stabilization for external and internal environments.

The evaluation of the internal environment shows that the indicator is growing to the level of stabilization because the line “Evaluation of human potential” has a positive value. More indicators allow for more accurate assessments. We will build a frame based on the obtained data (Table 5).

Table 4: The evaluation results for the external and internal environment of Lviv ATC

Item	Indicators of external (Z) and internal (V) environments	Values
Evaluation of the economic potential	Z1	0.44
Evaluation of ATC’s financial resources	Z2	0.2
Evaluation of the environmental component	Z3	0.3
Evaluation of ATC for integration into the world economic space	Z4	0.32
Evaluation of human potential	V1	0.66
Evaluation the migration level	V2	0.2
Evaluation of the innovation field	V3	0.3
Evaluation of the level of cooperation of local authorities with non-governmental organizations	V4	0.55
Evaluation of socio-economic life in connection with decentralization reform	V5	0.59

Source: Authors

Table 5: The reframing theory in the formation of the frame structure for ATC

Internal environment	Scale	Frame structure of financial management strategy implementation in the context of amalgamation of territorial communities on the example of Lviv ATC			
	1	A7	A8	A9	
	0.7	A4	A5	A6	
	0.35	A1	A2	A3	
	0.1	0.35	0.7	0.8	1
External environment					

Source: Authors

According to Table 4, external and internal environments fall into the A2 block, which means a certain level of instability. In fact, the higher the score, the better. The position in the A9 block is the best, but it is difficult and almost impossible to achieve in practice.

This means that there are weak links in the external environment in a sufficiently developed internal environment. Let's consider the problems of functioning of amalgamated territorial communities in more detail:

- stratification of society by income level;
- economic and social development or degradation of rural areas, inequality;
- lack of control over the allocation of resources, including financial;
- low qualification of managers in this field;
- the creation of control mechanisms to prevent corruption;
- legal barriers.

To develop an effective financial management strategy in the context of amalgamating territorial communities to overcome these problems. This, however, requires strengthening the systemic approach, which should ensure the competitive advantage of the ATC, but this requires the ability to identify areas to be integrated and develop measures for their implementation and quantitative and qualitative evaluation of activities. An important condition for success in this regard is a specific value in the community and effective management. That is the interest of the parties in the strategy development process, motivation to find optimal solutions to existing problems and the availability of certain indicators that will be used

to assess the implementation of important processes.

DISCUSSIONS

The final stage in developing a model of an effective, innovative financial management strategy in the context of the amalgamation of territorial communities is to take risks and prospects of the strategy into account. As this strategy is considered in the 5-year run, it is necessary to take into account the risks of the external and internal environment when reviewing indicators.

The development of short-term management plans or long-term strategies requires consideration of future risks and the relevance of decisions in theory and practice. For example, it should be possible to address the broader problems caused by the closure of many organizations, companies, and institutions of the relevant ATC because of the pandemic. Suppose the financial management strategy is effectively implemented in the context of community amalgamation. In that case, this means launching such programs as command centres to monitor and optimize liquidity, developing various events scenarios, and implementing continuous communication systems with employees, management, and investors.

The main problem in implementing this type of strategy is the practical lack of statistical information on the financing of particular ATC, and the decentralization reform has not been completed. There is little research in this area. At the beginning of the 2014 Reform, the key problem in implementing decentralization was inefficient communication between the government and citizens. According to opinion polls, citizens had a relatively low awareness of the peculiarities of decentralization reform because 68% of respondents knew about the initiative in 2014: 15% of them were well acquainted, 53% heard something, but 32% of respondents did not hear or could not answer (Pittsyk, 2014). This problem remains relevant today.

The difficulties in reaching an agreement on financial management issues between local authorities and the central government are primarily the result of the need to fulfill their duties and responsibilities. On the one hand, local self-government bodies have to deal with specific problems and the vision that voters will

be responsible for the effectiveness of their work, and on the other – with the obligation to act legally within existing imperfect legislation.

A clear division of functions and responsibilities between public authorities and local self-government bodies will significantly increase the efficiency of decentralization (Mandryk, 2020). Another problem is that regional and district councils do not have whole executive bodies (executive committees), violating the European Charter of Local Self-Government (Kruglashov, 2018). There is a general problem of inconsistency in making critical decisions that may further affect the development of an effective financial management strategy in the context of the amalgamation of territorial communities. The reason was the failure to reach an agreement between the Ministry of Communities and Territorial Development and other ministries on decentralization due to sectoral reforms and relevant contradictions (Solodky et al., 2020). It should be noted that those successful development strategies that operate in one ATC almost do not work in another area and in different time frames (Gorbatiuk, 2019). The reason is that it depends on a deeper study and analysis of the strengths and weaknesses of ATC, its opportunities, or threats. A practical model of an innovative financial management strategy in the context of the amalgamation of territorial communities is developed for this purpose.

Implementation of the model of innovative financial management strategy in terms of amalgamation of territorial communities and achieving certain financial stability largely depends on the internal potential of the entities themselves (Benczur, Karagiannis & Kvedaras, 2019) and the development of communications around their environment (interaction of external and internal indicators). Digitalization will increase resilience to external shocks and better use the opportunities that will emerge in the new reality because the ATC operation depends not only on human potential, which is the highest rated according to our research. It is important to emphasize that Ukraine, as a state, faces the risks associated with political and economic instability, which affect all spheres of life (Barrington, 2021).

There is, however, the opinion of researchers that neutralizes the importance of human potential as one of the key indicators in assessing

the ATC operation based on the importance of reform at the national level. For example, change in governance and efficiency can be achieved without the direct participation of citizens through reforms at the national level (Levitas, 2018). Many countries use decentralization to improve the quality of governance, particularly through the financial aspect (Connolly, Dubofsky & Stivers, 2018) and appropriate development strategies, including investment and innovation.

Agreeing with the statement that innovation depends primarily on human potential, skills, and knowledge (Henning & McKelvey, 2020), further research will focus on a broader overview of selected indicators to assess the ATC operation. The role and importance of innovation for developing ATCs or companies operating in their territory is the result of their direct or indirect impact on competitiveness (Shankar & Narang, 2020). From the perspective of further research of external and internal environments, this will formulate a more effective strategy model.

There is, however, a significant lack of research in this area. Making an integrated assessment based on statistics and particular financial indicators would be effective. It is advisable to analyze the current strategy regarding economic factors appropriate and inherent in individual ATC and determine the temporal and territorial mental aspects. This is the relevance of research and modeling of an effective, innovative financial management strategy in the context of the amalgamation of territorial communities. Therefore, it is essential to develop an appropriate plan for managing financial resources so that financial management in the context of the amalgamation of territorial communities does not remain in theory only.

CONCLUSIONS

In a globalized world and the flow of information, legal inconsistencies, or the willingness to meet the growing expectations of residents, local self-government bodies are trying to fulfill investment objectives faster and to a greater extent. They create far-sighted strategies for developing their cities, villages, and ATCs. Many of them, however, lack the most important element – the right balance between investment vision, the real financial capabilities of each of them, and available resources. In practice, it is possible to face the main problems

around Ukraine's political and economic instability. In this case, strategic planning involves determining the leading indicators of external and internal environments.

The created model of practical, innovative financial management strategy in the context of amalgamation of territorial communities includes certain stages, one of which is carrying out a SWOT analysis and use of a method of frame structure of innovative strategy implementation scenarios. Based on the research results, it was determined that the human potential indicator is of paramount importance in assessing the ATC operation.

In the future, researchers would need to study and analyze additional internal and external environmental indicators focusing on particular amalgamated territorial communities. Also, they would need to study the results of decentralization based on the outcome of companies operating in ATCs. It is necessary to stress the importance of analyzing and studying the current strategy in terms of financial factors inherent in a particular ATC and determine the temporal, territorial, and mental aspects of outdated management methods that do not stimulate innovation. Digitalization, open innovation and, financial management, distribution of funds has become increasingly important, as there is awareness of the limited use of outdated management methods that do not stimulate innovation.

REFERENCES

- Barrington, L. (2021). Citizenship as a cornerstone of civic national identity in Ukraine. *Post-Soviet Affairs*, 37(2), 155-173. <https://doi.org/10.1080/1060586X.2020.1851541>
- Benczur, P., Karagiannis, S., & Kvedaras, V. (2019). Finance and economic growth: Financing structure and non-linear impact. *Journal of Macroeconomics*, 62, 103048. <https://doi.org/10.1016/j.jmacro.2018.08.001>
- Berdiev, A. N., & Saunoris, J. W. (2016). Financial development and the shadow economy: A panel VAR analysis. *Economic Modelling*, 57, 197-207. <https://doi.org/10.1016/j.econmod.2016.03.028>
- Cabinet of Ministers of Ukraine. (2014). *Concept of local governance reform and territorial organization of power in Ukraine*. Retrieved January 28, 2022, from the official web site of the Verkhovna Rada of Ukraine: <https://zakon.rada.gov.ua/laws/show/333-2014-D180#Text>
- Connolly, R., Dubofsky, D., & Stivers, C. (2018). Macroeconomic uncertainty and the distant forward-rate slope. *Journal of Empirical Finance*, 48C, 140-161. <https://doi.org/10.1016/j.jempfin.2018.06.008>
- Eckardt, F., Velderman, W. J., & Benneworth, P. (2018). Knowledge, policymaking and participation: a democratic challenge. In N. Dotti (Ed.), *knowledge policy-making and learning for European regions and cities* (pp. 181-192). London, UK: Edward Elgar.
- Financial Stability Board. (2017). *Financial stability implications from Fintech, supervisory and regulatory issues that merit authorities' attention*. Retrieved January 28, 2022, from <https://www.fsb.org/2017/06/financial-stability-implications-from-fintech/>
- Gorbatiuk M. (2019). The influence of regional and local political elites on the decentralization reform in Vinnytsia Oblast. *Scientific Notes of the Kuras Institute of Political and Ethnic Studies of the National Academy of Sciences of Ukraine*, 1(97), 97-122. Retrieved January 28, 2022, from the Kuras Institute of Political and Ethnic Studies of the National Academy of Sciences of Ukraine Web Site: https://ipiend.gov.ua/wp-content/uploads/2020/02/gorbatuk_vplyv.pdf
- Grillitsch, M., & Sotarauta, M. (2018). *Regional growth paths: from structure to agency and back*. Retrieved January 28, 2022, from ResearchGate Web Site: https://www.researchgate.net/publication/322958759_Regional_Growth_Paths_From_Structure_to_Agency_and_Back
- Henning, M., & McKelvey, M. (2020). Knowledge, entrepreneurship and regional transformation: Contributing to the Schumpeterian and evolutionary perspective on the relationships between them. *Small Business Economics*, 54, 495-501. <https://doi.org/10.1007/s11187-018-0030-8>

- Kruglashov, A. (2018). European model of local self-government: guidelines for Ukraine. *Power and Governance: A Collection of Scientific Papers*, 5, 29-42.
- Levitas, A. (2018). Local government reform as state building: What the Polish case says about “decentralisation”. *Public Governance/Zarządzanie Publiczne*, 45(3), 5-25, <https://doi.org/10.15678/ZP.2018.45.3.01>
- Lviv City Council. (2020). *Resolution No. 29 “On the budget of the Lviv city territorial community for 2021” of 29.12.2020*. Retrieved January 28, 2022, from [https://www8.city-adm.lviv.ua/inteam/uhvaly.nsf/\(SearchForWeb\)/B68C1B9A345FC25BC225865400309E63?OpenDocument](https://www8.city-adm.lviv.ua/inteam/uhvaly.nsf/(SearchForWeb)/B68C1B9A345FC25BC225865400309E63?OpenDocument)
- Mac an Bhaird, C., Lucey, B., & Sanchez Vidal J. (2016). *Discouraged borrowers: Evidence for Eurozone SMEs*, Retrieved January 28, 2022, from SSRN Web Site: <https://ssrn.com/abstract=2758338>
- Mandryk, A. (2020). Current state and prospects of budget decentralization in Ukraine. In N. S. Sytnyk (Ed.), *Finance, customs and tax affairs: a collection of scientific works of students* (vol.4, pp. 324-329). Lviv, Ukraine: Lviv National University.
- Metz, A., Boaz, A., & Robert, G. (2019). Co-creative approaches to knowledge production: what next for bridging the research to practice gap, *Evidence & Policy*, 15(3), 331-337. <https://doi.org/10.1332/174426419X15623193264226>
- Miáek, D. (2013). Specjalizacjeregionalne a strategia Europa 2020 [Regional specializations and Europe 2020 strategy], *Zarządzanie i Finanse*, 1(2), 189-198.
- Misztal, A. (2017). Otwarte innowacje w polskich przedsiębiorstwach – ewaluacja [Open innovation in Polish enterprises – evaluation], *The Małopolska School of Economics in Tarnów, Research Papers Collection*, 33(1), 27-37, Retrieved January 28, 2022, from The Małopolska School of Economics in Tarnów Web site: <https://zn.mwse.edu.pl/index.php/zn/article/view/104>
- Pittsyk, M. V. (Ed.). (2014). *Sectoral monitoring no. 18. Results of the national survey of the urban population of Ukraine and employees of local self-government bodies on the problems of local self-government and attitude to decentralization of power*. Kyiv, Ukraine: Association of Ukrainian Cities.
- Poniatowicz, M. (2016). Stabilność finansowa jednostek samorządu terytorialnego w aspekcie nowej perspektywy finansowej Unii Europejskiej i zmian w systemie dochodów samorządowych [Financial stability of the local government unit in terms of the European Union's financial perspective and changes in the local government revenue system]. *Ekonomiczne Problemy Usług*, 125, 8-10.
- Shankar, V., & Narang, U. (2020). Emerging market innovations: Unique and differential drivers, practitioner implications, and research agenda. *Journal of the Academy of Marketing Science*, 48, 1030-1052. <https://doi.org/10.1007/s11747-019-00685-3>
- Solodky, S., Sasse, G., Balanasyan, V., Bidenko, Y., Bobyrenko, V., Dzyupyn, M., ... & Levonyuk, T. (2020). *Connection between decentralization and European integration*. Kyiv, Ukraine: New Europe Center.
- Van den Broek, J., Rutten, R., & Benneworth, P. S. (2020). Innovation and SMEs in interreg policy: too early to move beyond bike lanes? *Policy Studies*, 41(1), 1-22, <https://doi.org/10.1080/01442872.2018.1539225>
- Verkhovna Rada of Ukraine. (1997). *The Law of Ukraine “On Local Self-Government”*. Retrieved January 28, 2022, from <https://zakon.rada.gov.ua/laws/show/280/97%D0%B2%D1%80#Text>
- Verkhovna Rada of Ukraine. (2014). *The Law of Ukraine “On Cooperation of Territorial Communities”*. Retrieved January 28, 2022, from <https://zakon.rada.gov.ua/laws/show/150818#Text>
- Verkhovna Rada of Ukraine. (2015). *The Law of Ukraine “On Voluntary Association of Territorial Communities”*, Retrieved January 28, 2022, from <https://zakon.rada.gov.ua/laws/show/15719#Text>
- Zygierewicz, M. (2019). Wyzwania dlarozwojurynkubankowego związane z nowym otoczeniem społeczno-

gospodarczym [challenges for the development of banked plumbing related to the new socio-economic environment], In E. Miklaszewska (Ed.), *Banki w nowym otoczeniu społecznym, gospodarczym i*

technologicznym [Banks in the new social, economic and technological environment] (p. 23). Warszaw, Poland: Poltext.

Appendix A: Participant's Questionnaire

1. Sex	M		F	
2. Age				
3. Work experience	Under 10 years	10 years	Over 10	Over 10
Position				
Organization/company				
Are you familiar with ATC decentralization?				
Evaluation scale	Low (0.1-0.25)	Above medium (0.25-0.35)	Medium (0.36-0.5)	High (0.51-1)
Evaluation of the economic potential				
Evaluation of ATC's financial resources				
Evaluation of the environmental component				
Evaluation of ATC for integration into the world economic space				
Evaluation of human potential				
Evaluation the migration level				
Evaluation of the innovation field				
Evaluation the level of cooperation of local authorities with non-governmental organizations				
Evaluation of socio-economic life in connection with decentralization reform				
*Underline as appropriate				

ABOUT THE AUTHORS

Alla Chornovol, email:

alla1.education12@gmail.com

Dr. Alla Chornovol is a Professor and Head of the Department of Finance and Banking cases of Chernivtsi Institute Trade and Economics of Kyiv National University Trade and Economics

Yuliya Voytsekhovska is PhD in Economics, Associate professor of the Department of Organizational Management in Lviv Polytechnic National University.

Dr. Volodymyr Sarychev is a Professor of the Department of Economics and Social and

Labor Relations in the University of Customs and Finance.

Tetiana Chysnevych is a Postgraduate Student of the Department of Economic Theory and Public Finance in V. N. Karazin Kharkiv National University.

Maryna Goncharenko is PhD in Public Administration, Associate Professor of the Department of Economic Theory and Public Finance in V. N. Karazin Kharkiv National University.